



## The Omanhene Cocoa Bean Company's Communication on Progress 2009: The United Nations Global Compact

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### **The Omanhene Cocoa Bean Company**

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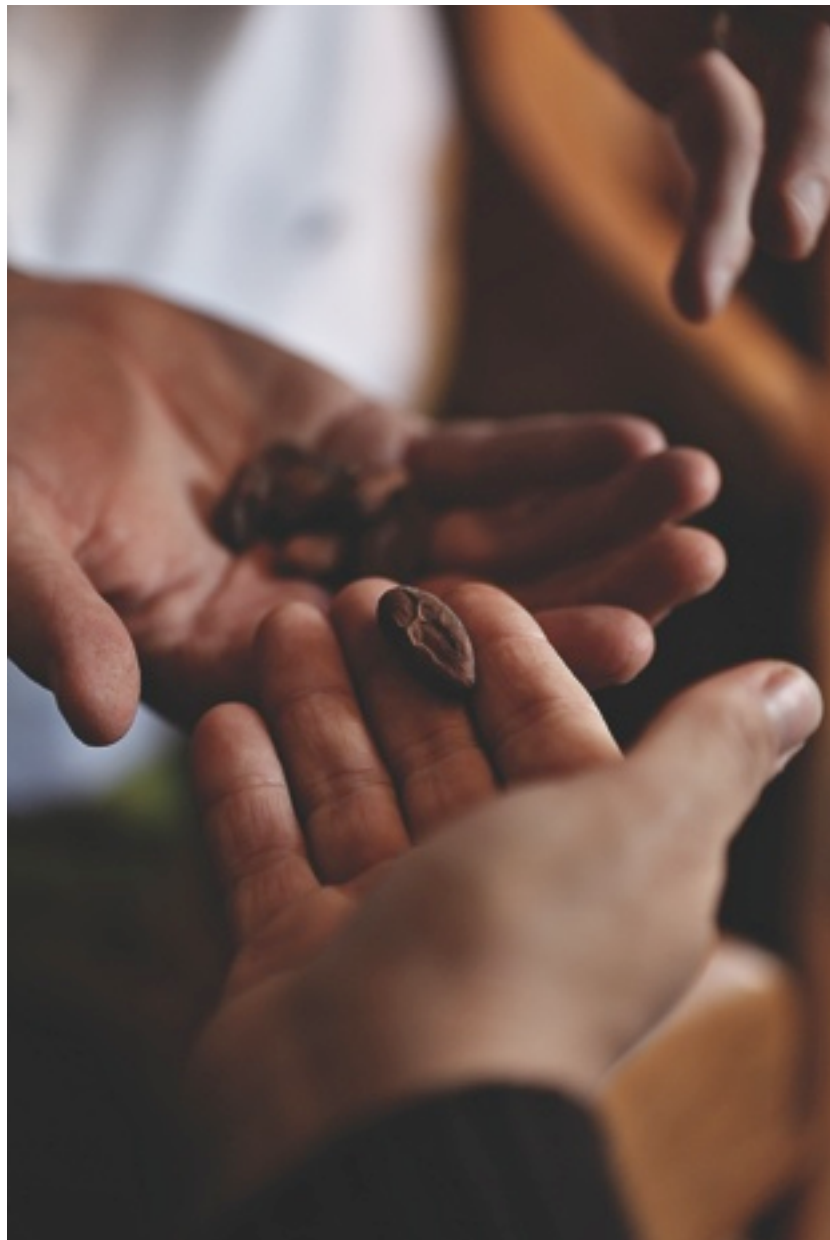
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## **The Omanhene Vision**

“To create a true and authentic world-class food culture that showcases the natural resources and human talent of Africa.”



# Executive Summary And Statement of Support

The Omanhene Cocoa Bean Company manufactures single-origin, value-added chocolate entirely in Ghana and has been doing so since 1994.

From inception, Omanhene has been recognized for our path-breaking business model -- a model that seeks to transform Ghana's economy, (like many countries in Africa historically reliant on extractive industries such as oil/gas, gold, minerals) into an economy with a sustainable, value-added manufacturing base. In our case, we focused on Ghana's world-class cocoa crop, considered the "the finest cocoa in the world" by The Financial Times.

Though our Company was founded over a decade before the enactment of the Global Compact, our *raison d'être* is in extremely close alignment with the Global Compact's 10 Principles and we continue to support the Global Compact. In short, our Company was founded with the express intention to do well by doing good. The 10 Principles coincide with the moral compass that guides our company's strategy and tactics. Indeed, Omanhene was featured in the opening video presentation at the Global Compact Leaders Summit at UN Headquarters in New York in 2004.

In some respects, since we are a relatively new company and one explicitly founded on what was at the time, innovative corporate responsibility principles, we did not have to invest resources in rectifying a legacy of exploitative corporate behavior. The purpose of the Omanhene endeavor *from inception* was to engage in a form of strategic corporate jiu-jitsu and provide a means for a country long reliant on commodity goods to move up the value chain and have a meaningful stake in building a lifestyle brand -- a brand closely linked to Ghana, Omanhene's "home place".

Omanhene employs an innovation model to gain the leverage necessary to fulfill its jiu-jitsu strategy and is recognized for having accomplished three "firsts" in the marketplace:

- The first company to manufacture and overtly market single-origin chocolate in developed consumer markets;
- The first company to create a new chocolate category -- "dark milk chocolate"; and
- The first company to manufacture single-origin chocolate entirely in the country of origin and use this fact as a primary selling point.

Today, most of the manufacturers claiming to make single-origin or fair trade chocolate bars buy beans at origin but process the cocoa beans abroad, thus depriving the host country of the employment and revenues inherent in secondary and tertiary stage manufacturing.

Omanhene is a privately-held company and is small relative to our competitors in the marketplace whose market capitalizations run well into the billions of dollars.

Quantitative information related to our production capacity, operational ratios and employment is considered by management to constitute confidential information. The divulgence of such information could be used by our competitors to our detriment and therefore we are constrained by our desire to be as transparent as possible whilst engaged in a highly competitive and very consolidated industry (one with a very few number of extraordinarily large concerns that exert market dominance).

Frankly speaking, this year we also lacked the resources to establish more comprehensive benchmarks to measure our progress in fulfillment of the objectives of the Global Compact. We were confronted with unprecedented volatility in the market with respect to our two main ingredients (the price raw cocoa is at a 28 year high and the price of sugar is likewise at historically high levels). This volatility coupled with the global economic downturn, curtailed our ability to devote more resources to this end. It has been an extremely challenging business environment and we are proud that we were able to avoid any layoffs in our US workforce and thus fulfill our obligations to this critically important segment of our stakeholders.

## **Description of Actions**

### **Human Rights**

Omanhene supports and respects the protection of internationally and locally proclaimed human rights. As explained below in regard to fair labor standards, Omanhene has taken steps to assure that it is not complicit in human rights abuses. Omanhene has met with international journalists during the last 12 months investigating such issues, such is our reputation for championing the cause of global corporate good behavior -- especially in regard to issues of alleged human rights abuses in the West African cocoa industry.

Our decision to place a value-added manufacturing presence in a cocoa-growing country of origin, a country with a colonial legacy and a history of military coups,

places us at the epicenter of the discussion on human rights abuses. It is our strong belief that by investing heavily in Ghana, both financially and by redoubling our efforts, Omanhene can make a lasting, sustainable contribution by example, of how to create economic opportunity for all who share our vision -- regardless of ethnic affiliation, gender or political party.

When Omanhene started in 1991, over 85% of all jobs in Ghana were public sector jobs -- government jobs -- and it is not disputed that some of the jobs were secured by political patronage. Our for-profit, private-sector model was intended to demonstrate that people of all ethnic backgrounds and political beliefs could, during the course of a given workday, work harmoniously towards a shared vision of building value and creating economic opportunity for all stakeholders. Today the number of private sector jobs in Ghana is growing rapidly and we'd like to think that we have served, in a small way, as a role model for the belief that corporations can work for the public good in a way that does not place politics at the center of corporate decision-making.

## **Labor Standards**

Our operations in both the Ghana and the US are subject to well-developed and well-enforced local fair labor regulations which assure a level of compliance more stringent than many of the international human rights laws.

From a constitutional standpoint, the protection of human rights and freedoms is guaranteed to all in Ghana.

The Constitution of Ghana was established in January 1993 and was amended in December 1996. Chapter 5 of Ghana's Constitution covers "Fundamental Human Rights and Freedoms". Section 12(2) states that "Every person in Ghana, whatever their race, place of origin, political opinion, colour, religion, creed or gender shall be entitled to the fundamental human rights and freedoms of the individual contained in this Chapter but subject to respect for the rights and freedoms of others and for the public interest." Section 14 covers protection of the right to personal liberty. Section 16 protects against slavery and forced labour.

Section 17(2) of the Constitution ensures equality and freedom from discrimination on grounds of gender, race, colour, ethnic, origin, religion, creed or social or economic status, and Section 17(3) amplifies this to cover place of origin and occupation; subsection (4) constitutionally protects affirmative action generally. Section 21 sets out general freedoms such as freedom of speech. Section 21(1)(e) guarantees the right to form or join a trade union; subsection (4) allows limitations by order of a court in the interest of defense, public safety or public order, or movement or residence within Ghana as long as reasonably justifiable in terms of the spirit of the Constitution.

Section 24 establishes economic rights, including the right to work under satisfactory, safe and healthy conditions and to receive equal pay for equal work; its subsection (3) states, among other things, that, “Every worker has the right to form or join a trade union of his choice for the promotion and protection of his economic rights and social interests.” Subsection (4) permits restrictions if reasonably necessary in the interest of national security or public order, or for the protection of the rights and freedoms of others. Section 27(1) promotes women’s rights, including paid leave during maternity; (2) requires the provision of child care facilities. Section 28 covers children’s rights, including the right to protection against exposure to physical and moral hazards. Section 29 covers the rights of persons with disabilities (PWD); its subsection (7) promotes special incentives for PWD to engage in business and for businesses that employ PWD in significant numbers.

Chapter 6 of the Constitution is entitled “Directive principles of State policy”. Section 35(6) requires the State to take appropriate measures to achieve reasonable regional and gender balance in recruitment and appointment to public offices. Section 36(6) lays down the economic objectives, including that the State afford equality of economic opportunity to all citizens, in particular taking all necessary steps to ensure full integration of women into the mainstream of Ghana’s economic development. Its subsection (10) safeguards the health, safety and welfare of all persons in employment; and its subsection (11) requires the State to “encourage the participation of workers in the decision-making process at the workplace”. Section 40 on international relations states: “In its dealings with other nations, Government shall... (d) adhere to the principles of . . . (v) any other international organisation of which Ghana is a member”. Ghana joined the ILO (International Labour Organisation) in 1957. For a wonderfully comprehensive description of Ghana’s legal protections for workers including rights to maternity leave, minimum age of workers, etc., please see <http://www.ilo.org/public/english/dialogue/ifpdial/info/national/ghana.htm#link211>.

Omanhene is incorporated in Ghana and is therefore subject to all of the laws of the Republic of Ghana and must not contravene any of the freedoms articulated in Ghana’s Constitution. In addition to the legal milieu in which we operate, there is a more down-to-earth dimension to Omanhene’s operations, one central to the production of our most visible product: chocolate.

The manufacture of cocoa is reliant on the propagation of cocoa beans. For several generations, Ghana has been one of the world’s top cocoa-growing countries. In recent years, exploitation of children working on cocoa farms has been documented in the West African region, though not shown to be prevalent in Ghana. Nonetheless, Omanhene is compelled to review the working conditions on the farms which grow the beans used by Omanhene in the production of cocoa products such as chocolate.

Omanhene works closely with Ghana's Cocoa Board, the quasi-ministerial agency of the democratically-elected government of Ghana, charged with safeguarding the stakeholders in Ghana's cocoa sector. Omanhene's president, Steven C. Wallace, is one of very few (if perhaps not the only) outsider ever invited to address the full board of directors of Ghana's Cocoa Board and he has done so on more than one occasion. Key Cocoa Board senior staff members have visited Omanhene's US headquarters for deliberations and review of business practices, as well.

Omanhene supports the recent effort of the Government of Ghana to undertake a Pilot Study on Child Labour, the first installment was recently published. The Pilot Study (sponsored by disinterested third-parties to assure impartiality) seeks to visit each of the more than 600,000 individual cocoa farms in Ghana and gather data against more than 100 benchmarks. Significant benchmarks include, for example, school attendance by children during the previous week (if children did not attend school the previous week, that might indicate that they are being prevented from attending school and thus subjected to the "worst form of child labor" as defined by international law). The first set of data from the Pilot Study shows that there is no systemic exploitation of child labor in Ghana. This conclusion comports with less scientific, anecdotal reviews.

News reports alleging the use of child slave labor to harvest cocoa beans center on exploitation primarily in the Ivory Coast. The only way to assure a chocolate bar is made without child slave labor is to make sure the chocolate is not made from cocoa beans grown in countries such as the Ivory Coast where slave labor has been documented in the harvesting of cocoa beans. Omanhene chocolate is made with cocoa beans grown exclusively in Ghana. There has been no documented use of child slave labor on Ghanaian cocoa farms and no such allegation has been made, even after exhaustive investigative reporting in West Africa's cocoa-growing countries.

The reasons for this are historical and contextual. Unlike the Ivory Coast, Ghana's cocoa farms are small, family-run enterprises of just a few acres each; there is no need for a large supply of cheap labor as each family cultivates only as much as they are able to harvest themselves. Government data shows that the average Ghana cocoa farm is but a few hectares, small enough for a family to harvest; this is in marked contrast to the average size of a cocoa farm in Cote d'Ivoire which is approximately 400 acres-- *roughly 100 times the size of the average farm in Ghana*. The need for cheap labor arises only in countries where cocoa is grown on large cocoa plantations of several hundred acres each. Ghana has no tradition of such large-scale, corporate farms.

Further, because the Government of Ghana has stringent quality controls that apply to every cocoa bean grown in the country, cocoa beans from Ghana are sold at premium over the benchmark Ivory Coast beans. Ghana has never been regarded as a source



of cheap cocoa beans; rather Ghana enjoys the reputation of growing premium beans – beans that are more expensive than others. Indeed, The Financial Times of London reports that, “Ghana grows the finest cocoa in the world.”

Not only is Omanhene dark milk chocolate made exclusively with 100% Ghanaian cocoa beans, it is also manufactured entirely in Ghana. This assures that Ghanaians reap the added value from the processing of their beans into chocolate. Most of the world’s chocolate bars are manufactured in countries that do not actually grow cocoa.

Even so-called “Fair Trade” cocoa is almost always shipped offshore for processing in Europe or the US such that Western companies still capture the greatest share of cocoa profits. It is this tertiary stage manufacturing that constitutes the most significant portion of wealth in the cocoa value chain; and it is this most valuable portion that accrues solely to these offshore economies. Omanhene manufactures chocolate entirely in Ghana – a cocoa-growing country – and this benefits not only the Ghanaian cocoa growers but the Ghanaian factory workers who transform raw beans into finished chocolate and cocoa powder.

Until the founding of Omanhene, virtually every chocolate bar consumed was made from blends of beans grown from around the world; because such bars were made of beans from many countries, it was simply impossible to assure a chocolate bar was not the product of slave labor. The only way to assure slave-free chocolate is to buy chocolate bars made from beans grown solely in a slave-free country, such as Ghana. In 1994, Omanhene became the first company in the world to effect worldwide distribution of single-source chocolate – that is, chocolate made from cocoa beans grown exclusively from a single country-of-origin.

Going forward, Omanhene will support and continue to cooperate with Ghana’s Cocoa Board in completing the multi-year Pilot Study on Child Labor and will assist in implementing any suggested remedies should areas for improvement be discerned.

Apart from cocoa farmers, we endeavor to assure that our factory workers enjoy the full range of human and labor rights. The factory workers who produce Omanhene chocolate all enjoy free medical care for themselves and their families, free meals at the factory, free uniforms, free transportation to work and subsidized housing. All line workers are unionized and are hold equity shares in the factory, thus sharing in any profits earned.

Omanhene’s production facility has 8 senior executive-level managers, one of whom is female. We endeavor to promote gender equality and hope to increase the number of women in senior management ranks in 2010. There are several “next tier below” women in a position to move up to the senior management ranks so we do not

anticipate it will be difficult to improve our performance with respect to a more representative workplace.

Our US entity, The Omanhene Cocoa Bean Company, Inc., has a board of directors one-third of which is comprised of women.

We will continue to make sure we are not directly or indirectly complicit in labor abuses and the fact that our employees enjoy a range of personal benefits including the right to organize gives us confidence that we are promoting a culture of opportunity and empowerment in our company.

## **Environment**

We have long supported a precautionary approach to environmental challenges and this stems from the strategic choices made during the founding of the company. Our decision to manufacture export-quality chocolate in the country where the cocoa beans are grown, was, at the time we established Omanhene, virtually an unprecedented business model. We achieved a significant reduction in the carbon footprint imposed on the environment by traditional chocolate manufacturers who typically are located in developed consumer markets in Europe, North America and Asia. Such producers are compelled to buy huge sums of cocoa beans grown in tropical regions and then transport them to factories located thousands of miles away from the farms where the beans are grown. It is axiomatic that it takes several pounds of raw cocoa beans to manufacture one pound of finished chocolate. Consequently, multiple containers of raw beans must move from Ghana, for example, to the US, an endeavor that imposes a far larger carbon footprint than moving a single container of finished chocolate from Ghana to the US, by contrast.

Omanhene started a program whereby we recycle all office consumables at our US facility. We also started using recycled corrugated boxes and use such boxes exclusively for all shipments leaving our US warehouse. During 2009, nearly 90% of all corrugated cartons used contained recycled material. There are certain specialized cartons that we use that we have not yet been able to source with recycled content and do not anticipate we will be able to increase this number appreciably in 2010. We also have specified a heavier weight box that allows us to reuse the box two or three additional times, thus saving resources. All new computer and monitor purchases are expected to meet energy efficiency standards.

Through our collaboration with Ghana Cocoa Board, we indirectly support the work of Ghana's Cocoa Research Institute at Tafo, Ghana -- perhaps the preeminent cocoa

agronomy station in the world. The work of the Institute centers on environmental sustainability, natural crop enhancing techniques (ie., shade-growing techniques as opposed to chemical fertilizers, for example) and the promulgation of seed stocks with natural disease resistance and superior flavor.

Going forward, we would like to support a third-party organic certification model farm leading to the establishment of a reliable, sustainable source of organically grown cocoa. At present, the number of organic tons of cocoa grown in Ghana is in single-digits -- far too small for commercial use.

## **Anti-corruption**

Omanhene has worked hard to combat corruption in a region of the world where both political and commercial extortion has been documented. Omanhene is incorporated in both the US and in Ghana. As a US corporation, Omanhene is subject to stringent federal anti-corruption laws, most notably the US Foreign and Corrupt Practices Act which forbids the payment of any sort of bribe. Since Omanhene's business model does not depend on securing rights to extractive resources (oil leases, mining concessionary fees, etc.) there is little economic rationale for Omanhene to engage in such illegal practices such as bribery. Omanhene seeks to add local value and since we operate in the higher-value segment of the market, we don't compete solely on price. The price paid for raw cocoa beans does not often determine the company's profitability on an annual basis. Our goal since inception has been to move up the value chain and away from a model where profitability is based solely on the value of the underlying commodity.

Practically speaking, the cocoa processing industry comprises a very small number of large, multi-national companies, two of whom have faced documented charges of price-fixing and other sorts of anti-competitive, corrupt behavior and have reached settlements with regulatory authorities as a result. By comparison, our company is an extremely small player in our industry and it is fair to say we couldn't possibly engage in the level of corruption (documented in the hundreds of millions of dollars) of our competitors. We lack both the resources and the market share to engage in such behavior.

Most significantly, Omanhene has established a long record of transparency in Ghana and has flourished under various political administrations. Our longevity is due to a strict policy of never engaging in corrupt activities. Simply put, because we manufacture a luxury product -- one where our business behavior and manufacturing model is one of the chief reason customers buy our products -- we have a strong economic incentive to stay clear of any sort of bribery or extortion.

## Communication

Both the company president, Steven C. Wallace and senior partner Chef Francois Kwaku-Dongo make numerous public appearances each year promoting Omanhene products and explaining the Omanhene business model. Venues for such appearances encompass a wide and diverse range from grocery stores and specialty coffee cafes to elementary schools and university lecture halls. We routinely tell the story behind the founding of the UN Global Compact, how Secretary General Kofi Annan proposed the novel idea of corporate involvement as a means to solve the most vexing global problems of our age and how eventually, the UN General Assembly came to adopt this path-breaking initiative.

At each and every opportunity, we tell the story behind the founding of the UN Global Compact and then incorporate our support for the movement which Omanhene believes is the single-most comprehensive set of aspirational goals for global corporate behavior. We enthusiastically support the principles of the United Nations Global Compact and commit to furthering our own progress in attaining compliance with each of the goals.

This report is available for download on our website.



Steven C. Wallace  
Founder /President



Chef Francois Kwaku-Dongo,  
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